

**BY-LAWS OF THE
SCHOONER RIDGE PROPERTY OWNERS ASSOCIATION, INC.**

**ARTICLE I
Scope and Applicability**

Section 1 – Purpose: These By-Laws of the Schooner Ridge Property Owners Association, Inc. (the “Association”) set forth the rules procedures by which the Association will discharge its powers, rights, and duties under the Articles of Incorporation, under the Declarations of Restrictive Covenants for Schooner Ridge Phases I and II as they may be amended from time to time (the “Declarations”), and under any other laws, ordinances, or regulations that may apply.

Section 2 – Construction: In construing these By-Laws and the government of the Association, the provisions of Chapter 55A of the General Statutes of North Carolina pertaining to the government of nonprofit business corporations, and the provisions of Chapter 47F of the General Statutes of North Carolina constituting the North Carolina Planned Community Act to the extent those provisions apply to planned communities created before January 1, 1999 as specified in N.C.G.S. § 47F-1-102(c), shall be controlling. Nothing herein shall be interpreted in a manner that is inconsistent with applicable statutes, regulations, or ordinances, or with the provisions of the Declarations or the Articles of Incorporation. In the event of any conflict between these By-Laws and any applicable statutes, regulations, or ordinances, or with the provisions of the Declarations or the Articles of Incorporation, such other sources shall be deemed controlling over the inconsistent provisions or By-Laws; provided, however, that they shall control only as necessary to prevent an inconsistency and shall not invalidate or alter any other provisions of the By-Laws, which shall remain effective and enforceable.

Section 3 – Membership: The owners of Lots 2 through 96, inclusive, in the development of Schooner Ridge in the Town of Duck, Dare County, North Carolina, shall constitute the membership of the Association.

Section 4 – Application: All present and future owners, tenants and future tenants, and their employees, and any other person who may at any time use the facilities of the subdivision in any manner are subject to the regulations set forth in these By-Laws.

Section 5 – Office: Unless otherwise designated by the Board of Directors (“Board”), the office of the Association shall be in the recreation center building located in the common area between Lots 66 and 67 of Schooner Ridge; provided that any records required by law, by the Declarations, or by these By-Laws to be maintained in the office of the Association may at the election of the Board be held for safekeeping in the offices of a management company retained by the Association.

Section 6 – Rules and Regulations: The Board may adopt, from time to time, rules and regulations regarding the use of common properties of the Association, the establishment and collection of fees and expenses for the Association, and other regulations as may be necessary to

maintain the business and affairs of the Association. Such rules and regulations shall be binding upon the members as if set forth within these By-Laws.

ARTICLE II Voting Procedures

Section 1 – Owners: Each owner of a lot in subdivision Lots 2 through 96, inclusive, with the exception of Lot 67, shall be entitled to a percentage vote for each lot owned. The vote percentage shall be one vote for each lot. No lessee, lienholder, mortgagee, pledge, or contract purchaser shall have any voting rights with respect to the affairs of the Association.

Section 2 – Annual Meetings: The Association shall hold each year an annual meeting of the owners for the election of Directors and the transaction of any business within the powers of the Association. The meeting shall be held on the Saturday immediately preceding the second Monday of October, or on such other day as may be established by the Board. The members shall be notified of the date of the meeting at least ten (10) days prior to the meeting and if no notice is provided, the meeting shall be held on the Saturday immediately preceding the second Monday of October. Any business of the Association may be transacted at an annual meeting without being specifically required by statute, the Articles of Incorporation, the Declarations, or these By-Laws to be stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the Association's existence or affect its otherwise valid acts.

Section 3 – Special Meetings: At any time in the interval between annual meetings, special meetings of the Association may be called by the President or by a majority of the Board by a vote at a meeting or in writing, with or without a meeting, or by one-third (1/3) of the record owners of Association units.

Section 4 – Place of Meetings: All meetings of owners shall be held at the office of the Association in Duck, North Carolina, except in cases in which the notice thereof designates some other place, but all such meetings shall be held within the State of North Carolina.

Section 5 – Notice of Meetings: Not less than ten (10) days nor more than ninety (90) days before the date of every owners' meeting, the Secretary shall give to each owner entitled to vote at such meeting, written, printed, or electronic notice stating the time and place of the meeting and in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail, by electronic transmission, or by presenting it to the owner personally or by leaving at the owner's residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail address to the owner at the post office address that appears for that owner on the records of the Association, with postage thereon prepaid. Notwithstanding the foregoing provisions, a waiver of notice in writing signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of owners, annual or special, may adjourn from time to time to reconvene at the same or some other permitted place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 6 – Quorum: At any meeting of owners, the presence in person or by proxy of owners entitled to cast twenty-five percent (25%) of the votes shall constitute a quorum; but the Section shall not affect any requirement under statutes or under the Declarations for the vote necessary for the adoption of any measure. In the absence of a quorum, the owners present in person or by proxy, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum may attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting originally scheduled.

Section 7 – Votes Required: A majority of the votes cast at a meeting of owners, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Declarations.

Section 8 – Proxies: An owner may vote either in person or by proxy executed in writing by the owner or by that owner's duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the owner or a duly authorized attorney-in-fact, and dated, but the proxy need not be sealed, witnessed, or acknowledged.

Section 9 – List of Owners: At each meeting of owners, a full, true, and complete list in alphabetical order of all owners entitled to vote at such meeting shall be furnished by the Secretary.

Section 10 – Voting: In all elections for Directors, every owner shall have the right to vote, in person or by proxy, for as many persons as there are Directors to be elected. At all meetings of owners, the proxies and ballots shall be received, and all questions touching the qualification of voters, the validity of proxies, and the acceptance or rejection of votes shall be decided by the chair of the meeting. Unless demanded or ordered by a majority of owners present, no vote need be by ballot, and voting need not be conducted by inspectors.

Section 11 – Informal Action by Owners: Any action required or permitted may be taken without a meeting, if a consent in writing setting forth such action is signed by all of the owners entitled to vote of the subject matter thereof, provided said consent is filed with the records of the Association.

ARTICLE III Board of Directors

Section 1 – Powers: The business and affairs of the Association shall be managed by the Board. The Board may exercise all powers and duties of the Association except such as are by statute, the Declaration, or the By-Laws conferred upon or reserved to the owners. In particular, but not by way of limitation, the Board shall be responsible for, and have all necessary power in connection with, the care, upkeep, and surveillance of the building and other facilities of the Association, including its general and limited common elements, services, and Association-owned property; the designation, hiring, and dismissal of the personnel and independent contractors necessary for the good working order of the buildings and to provide services for the

buildings; the enforcement of any rules, regulations, or other requirements imposed by vote of the Board of Directors or by the Declarations, these By-Laws, or applicable law; the institution, defense, or intervention in any legal proceedings deemed by the Board to be the interests of the Association; management of the financial affairs of the Association, including revenues, operating expenses, and the establishment, use, or dissolution of any reserve accounts; oversight of the architectural review process pursuant to the Declarations, including but not limited to actions on appeals of decisions made by the Architectural Review Committee; and such other actions as may be necessary to protect or further the interests of the Association and its collective membership. The Board may delegate any or all of its responsibilities, including but not limited to delegations to a management company retained by the Board and the expenses therefor, and all costs associated with the discharge of such delegated responsibilities shall be a common expense. The Board or any officer or officers to whom such power may be delegated shall have the power to take any action necessary or appropriate to enforce payment of all sums, including assessments against others due the Association, and including the enforcement of any lien for the same. The Board shall establish the rules and regulations described in Article I, Section 5 of these By-Laws. The Board shall have the power to alter, amend, or repeal the By-Laws or to adopt new By-Laws.

Section 2 – Number: The number of Directors of the Association shall be nine (9). Directors shall serve a term of three (3) years, but shall remain in office until their successors are elected and qualified. Each Director shall be an member of Association or part of the member's immediate family, consisting of the spouse or child of the member. No member of the Association or immediate family of such member shall be eligible to serve as a Director if the member is not current in the payment of annual Association dues and all other obligations of the Association. Only one Director may serve per lot. If more than one lot is owned by an individual, partnership, corporation, or joint venture, only one may serve for the lots owned by said entity. The terms of the Directors shall be adjusted so that no more than three Directors shall be elected at any meeting to fill the expired term of the prior Director or Directors.

Section 3 – Vacancies: A vacancy occurring in the Board for any cause may be filled by a unanimous vote of the remaining members of the Board. A Director elected by the Board to fill a vacancy shall be elected to hold office for the unexpired term.

Section 4 – Regular Meetings: After each meeting of owners at which a Board shall have been elected, the Board so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business at such time as may be designated by the owners at such meeting. In the event that no other time is designated by the owners or the Board, this first meeting of the new Board shall occur immediately following the adjournment of the meeting of owners. Such meeting shall be held at such place within the State of North Carolina as may be designated by the owners or, in default of such a designation, at the office of the Association in North Carolina. No notice of such first meeting shall be necessary if held and hereinbefore provided. Other regular meetings of the Board shall be held no less than three additional times per year on such dates and at such places within the State of North Carolina as may be designated from time to time by the Board. A Director who fails to attend seventy-five percent (75%) of the regular meetings in any period between annual owner meetings held pursuant to Article II, Section 2 of these By-Laws may be removed as a Director under the procedure specified in Section 14 of this Article.

Section 5 – Special Meetings: Special meetings of the Board may be called at any time by the President or by the Board by a vote at a meeting, or by a majority of the Directors in writing or electronically, with or without a meeting. Such special meetings shall be held at such place or places within the State of North Carolina as may be designated in the call.

Section 6 – Notice of Meetings: Except as provided in Section 5 of this Article, notice of the place, day, and hour of every regular and special meeting shall be given to each Director two (2) days (or more) before the meeting, by delivering the same to each Director in person or electronically, or by leaving the same at the Director's residence or usual place of business, or by mailing such notice five (5) days or more before the meeting, postage prepaid, addressed to the Director's last known post office address according to the records of the Association. Unless required by these By-Laws or by resolution of the Board, no notice of any meeting of the Board need state the business to be transacted. No notice of any meeting of the Board need be given to any Director who attends, or to any Director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 7 – Quorum: At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business. Except in cases in which it is otherwise provided by statute, by the Declarations, or by the By-Laws, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to direct and pass any measure. At any adjourned meeting at which a quorum shall be present, any business may be transacted at the meeting as originally notified.

Section 8 – Compensation: By resolution of the Board, expenses of attendance, if any, may be allowed to Directors for attendance at each regular or special meeting of the Board or of committees thereof, but Directors as such shall not receive any compensation for their services except such as may be authorized or permitted by vote of the owners. A Director who serves the Association in any other capacity, however, may receive compensation therefor without such vote of the owners.

Section 9 – Action Without a Meeting: Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting. Such actions will be deemed approved if votes are cast by a majority of all Directors currently serving on the Board at the time of the approval, the quorum in such instances being considered to be the entire membership of the Board. Votes may be taken in person, by telephone, by electronic communication, or by any combination of the above means; provided, however, that a record of such votes and the actions considered or approved shall be maintained and filed with the records of the next regular or special meeting of the Board

Section 10 – Telephone Meeting: Any one or more Directors may participate in a meeting of the Board by means of a conference telephone or similar telecommunications device which allows all persons participating in the meeting to hear each other, and such participation in a meeting shall be deemed presence in person at such meeting.

Section 11 – Committees: The Board may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board. This Section 11 shall not apply to the Architectural Review Committee, which shall be operated in accordance with applicable provisions set forth in the Declarations and in Article V of these By-Laws

Section 12 – Indemnification: Every Director and every officer of the Association shall be indemnified against all expenses and liabilities, including counsel fees, incurred by or imposed upon that Director or officer in connection with a court proceeding, and administrative action, or any other legal proceeding to which the Director may become involved by reason of being a Director or officer of the Association, whether or not that person is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of malfeasance or gross negligence in the performance of duties as a Director or officer; provided that in the event of a settlement, the indemnification herein shall apply only when the Board approves such settlement and reimbursement as being in the best interests of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all rights of indemnification to which such Director or officer may be entitled.

Section 13 – Resignation: Any Director may resign at any time by giving written notice to the President or, in the case of a resignation by a Director who also is the President, by giving written notice to the Vice President. Such resignation shall take effect at the time specified therein or, if no time is specified, at the time of acceptance thereof as determined by the President (or the Vice President in the case of a resignation by a Director who also is the President).

Section 14 – Removal: Any Director may be removed at any time, with or without cause, by a majority vote of a quorum of owners at any duly constituted annual or special meeting of the owners. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

Section 15 – Loans: No loans shall be made by the Association to any of its Directors.

ARTICLE IV Officers

Section 1 – Executive Officers: The Board shall choose a President and a Vice President from among the Directors, and a Secretary and a Treasurer who need not be Directors but must be members of the Association or the spouse or child of such a member. Any two (2) of the above-mentioned offices, except that of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one (1) capacity if such instrument is required by statute, by the By-Laws, or by resolution of the Board to be executed, acknowledged, or verified by any two (2) or more officers. Each such officer shall hold office until the first meeting of the Board after the annual meeting of owners next succeeding the officer's election and until a successor has been duly chosen and qualified, or

until the officer has resigned or has been removed. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board at any regular or special meeting.

Section 2 – President: The President shall (a) preside at all meetings of owners and of the Board at which the President is in attendance; (b) have general charge and supervision of the business of the Association; (c) sign and execute, in the name of the Association, all authorized deeds, mortgages, bonds, contracts, or other instruments, except in cases in which the signing and execution thereof has been expressly delegated to some other officer or agent of the Association; and (d) perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 3 – Vice President: The Vice President, at the request of the President or in the absence or disability of the President, shall perform the duties and exercise the powers of the President, and shall perform such other duties and have such other powers as the Board from time to time may prescribe.

Section 4 – Secretary: The Secretary shall (a) keep the minutes of the meetings of owners and of the Board in books provided for this purpose; (b) see that all notices are duly given in accordance with the provisions of the By-Laws or as required by law; (c) have general charge of the records of the Association; and (d) perform all duties incident to the office of Secretary and such other duties as may be assigned from time to time by the President or the Board.

Section 5 – Treasurer: The Treasurer shall (a) have charge and be responsible for all funds, securities, receipts, and disbursements of the Association; (b) deposit, or cause to be deposited, in the name of the Association, all monies or other valuable effects in such banks, trust companies, or other depositories and shall from time to time be selected by the Board; (c) render to the President and the Board, whenever requested, an account of the financial condition of the Association, including, but not limited to, a report to the Board at each regular Board meeting and at each special Board meeting at which such a report is requested; and (d) perform all duties incident to the office of Treasurer and such other duties as may be assigned from time to time by the President or the Board.

Section 6 – Resignation: Any officer may resign at any time by giving written notice to the President or, in the case of a resignation by the President, by giving written notice to the Vice President. Such resignation shall take effect at the time specified therein or, if no time is specified, at the time of acceptance thereof as determined by the President (or the Vice President in the case of a resignation by the President). Resignation by an officer who also is a Director shall not operate as a resignation from the Board unless so specified in the written notice in accordance with Article III, Section 13 of these By-Laws.

Section 7 – Removal: Any officer may be removed, with or without cause, by a vote of the Board or by a majority vote of a quorum of owners at any duly constituted annual or special meeting of the owners. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

Section 8 – Loans: No loans shall be made by the Association to any of its officers.

ARTICLE V
Architectural Review Committee

Section 1 – Membership: The Architectural Review Committee, pursuant to the Declarations, shall be composed of up to five (5) members of the Association appointed by the Board, except to such extent as the Declarations may be amended to alter these requirements. Members of the Architectural Review Committee may resign under the same procedure specified in Article V, Section 6 for the resignation of an officer, or may be removed, with or without cause, by a vote of the Board. The Board shall have the authority to fill any vacancies on the Architectural Review Committee or to add new members up to the maximum membership as specified in the Declarations and these By-Laws. Members appointed to the Architectural Review Committee shall serve in that capacity until they are removed or they resign pursuant to this Section.

Section 2 – Procedures: The Architectural Review Committee shall establish its own procedures for discharging its duties under the Declarations; provided that all such procedures shall be consistent with the Declarations and shall be subject to review by the Board.

Section 3 – Guidelines: The Architectural Review Committee shall produce a set of Architectural Review Guidelines to advise Association members of the requirements imposed upon them and the procedures that will apply to the review and approval of any plans that are required to be approved under the Declarations. The Committee shall periodically review the Guidelines to ensure that they are complete and up to date. Revisions or new versions of the Guidelines prepared by the Committee shall be submitted to and reviewed by the Board prior to their final adoption, at which time the Board either may accept the revisions or new versions as written or may instruct the Committee regarding any changes to be made. Copies of the Guidelines, and of any revisions or new versions of the Guidelines, shall be provided to each member of the Association by mail as soon as practicable after their final adoption by the Committee.

Section 4 – Reports to the Board: The Architectural Review Committee shall make a report to the Board at each regular meeting of the Board, and at any special meeting at which such a report is requested. This report shall advise the Board of the status of reviews that are currently pending, any violations of the Declarations or Guidelines that may currently exist, and any other business of the Committee that may be of interest to the Board. Upon receiving each report, the Board shall either vote to accept the report as submitted or to instruct the Committee as to any changes to be made.

Section 5 – Appeals: An owner may appeal any decision of the Architectural Review Committee to the Board by submitting the grounds for appeal in writing to the Association pursuant to procedures specified in the Guidelines. The Board shall act upon any such appeal no later than the next regular meeting of the Board, at which it may vote to reject the appeal, to accept it in whole or in part, or to remand the issue to the Architectural Review Committee for further action, with or without instructions.

ARTICLE VI
Obligations of the Owners

Section 1 – Assessments: Each owner is obligated to pay the assessments imposed by the Association or by the Declarations to meet general common element expenses, which shall include insurance premiums as set forth in Article VI, Section 1 of these By-Laws and may include other insurance if, in the judgment of the Board, such insurance is necessary for the protection of the common properties of the Association. The assessments shall be made pro rata amongst all of the lots in Schooner Ridge except Lots 1 and 67. Such assessments levied upon the owner of a lot shall become a lien on said lot at the time assessed and until paid in full. Each regular assessment levied shall be due and payable within thirty (30) days after the date of assessment. Any special assessment designated by the Board shall be due and payable when assessed or at such other time as may be specified in the special assessment. There will be no declaration in trust for enforcement of said lien. The Board may impose a reasonable late fee and interest on any owner who fails to pay a regular or special assessment within the deadline for such payment.

Section 2 – User Fees: Each owner is obligated to pay a user fee, at a rate established by the Board, for each week or partial week in which a renter or a guest who is not part of the owner's immediate family has stayed in Schooner Ridge. Itemized statements listing user fees due to the Association shall be produced no less frequently than on a monthly basis, and shall be sent either to the owner or, if the owner elects, to a rental management company acting on behalf of the owner. Each user fee assessment shall be due and payable within thirty (30) days after the date of assessment. The Board may impose a reasonable late fee and interest on any owner or agent of such owner who fails to pay a user fee obligation within the deadline for such payment. All remedies available for non-payment of a regular or special assessment shall also be available, to the extent permitted by law, for the non-payment of a user fee assessment.

Section 3 – Maintenance and Repair: Every owner must perform all maintenance and repair work within the owner's lot which, if omitted, would affect the general or limited common elements or any other lot, and shall be responsible for any damages and liabilities that a failure to do so may engender. All repairs of internal installations of the lot such as water, light power, telephones, cable television, doors, windows, lamps, driveways, landscaping, and all other accessories belonging to the lot area shall be at the owner's expense. An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any general or limited common element damages through the owner's fault, other than damage arising from an insured casualty.

ARTICLE VII
Finance

Section 1 – Fiscal Year: The fiscal year of the Association shall be January 1 to December 31 unless otherwise determined by the Board.

Section 2 – Budget: The Board shall adopt a budget for each fiscal year which shall contain estimates of the costs of performing the functions of the Association. These costs shall

include, but are not limited to, common expenses of the Association including the maintenance and upkeep of common areas and elements and other Association-owned real and personal property, staff payroll, supplies, office expenses, management salaries or fees, insurance, common utilities, service contracts, and fees and permits. The budget also should provide estimates for an appropriate capital improvements reserve and any anticipated special assessments. Copies of the proposed budget shall be transmitted to each member or lot owner at prior to the annual meeting for the fiscal year for which the budget is made, at the same time as notice of the annual meeting is given. If the budget is subsequently amended, a copy of the amended budget shall be furnished immediately to each member or lot owner.

Section 3 – Accounting: Accounting shall be on an accrual basis and shall conform to generally accepted accounting principles. Notwithstanding the Association’s use of accrual accounting, however, estimates produced in the budget and distributed to members and lot owners may be prepared on a cash basis.

Section 4 – Annual Reports: A full and correct statement of the affairs of the Association shall be prepared annually, which shall include a balance sheet and a financial statement of operations and shall be filed at the principal office of the Association.

Section 5 – Accounts and Payments: The depository of the Association shall be such bank or banks as the Directors may designate from time to time, from which the expenses of the Association shall be paid. All checks, drafts, or other orders for the payment of money, and all notes and other evidence of indebtedness issued in the name of the Association, shall be signed by such officers, agents, or managers of the Association as determined by the Board.

ARTICLE VIII

Insurance

Section 1 – Protective Policies: The Board shall procure and maintain, in its name as agent or trustee for the benefit of the co-owners who shall be deemed parties insured, policies of insurance in stock or mutual insurance companies licensed to do business in the State of North Carolina, to the extent obtainable, as follows:

A. Casualty Coverage: If by a decision of the Board it is deemed necessary, a policy or policies shall be obtained insuring the common properties of the Association against loss, damage, or destruction by fire or other casualty, including lightning, windstorm, hail, explosion, riot, civil commotion, aircraft, vehicle, falling object, smoke, malicious mischief, vandalism, collapse through weight of snow, ice, or sleet, water, flood, and other similar casualties, in an aggregate amount equal to the full insurable replacement value of the improvements, without regard to depreciation. In lieu of the foregoing insurance, the Board may procure and maintain such other insurance against loss, damage, or destruction of the general and limited common elements of the Association as shall give substantially equal or greater protection to the co-owners, as their interests may appear.

B. Workers' Compensation Coverage: Such insurance shall be obtained as will protect the owners, and each of them, from claims under workers' compensation acts and other employee benefit acts, where necessary.

C. Liability Coverage: Such insurance shall be obtained as will protect the managers or agents, the Board, the owners, and each of them from claims for damage to the property or for any injury or damage, any or all of which may arise out of or result from ownership of any interest or property by the Association of the management or operation of any such interest. It is intended that the insurance described in this subsection C be a comprehensive general liability policy endorsed to protect each co-owner against all liability arising out of or otherwise attributable to the property, including operation of the premises, products liability, liability attributable to work or other act on an employee or independent contractor or let or sublet work, landlord-tenant liability, contractual liability, or other similar legal claims. Further, the insurance shall cover the liability of one or more co-owners, as parties insured. Such public liability insurance shall be in the limits of at least \$100,000.00 for injuries or damages sustained by any one person, \$300,000.00 for injuries or damages sustained by two or more persons in any one accident, and \$10,000.00 for property damage. The public liability insurance policy shall be endorsed so as to protect the insured against liability imposed or assumed by any contract.

D. Provisions: In all events, each policy of insurance procured under the Section 1 of Article VI shall contain a waiver of the insurer's subrogation rights against each co-owner, and a waiver of any defense maintainable by the insurer by reasons of any co-insurance provision of any policy or by reason of any act or neglect of any co-owner, whether before or after the loss, damage, or destruction occurs. Further, each policy of insurance shall provide that any co-owner may procure other insurance in that co-owner's name and right, including fire casualty, liability, or other types of coverage, which shall in no way serve to reduce, abate, or diminish, or cause any proration in payment of the total loss by the insurer. Each policy of insurance procured under subsections A or B of this Section shall state that the exclusive right and authority to adjust losses under the policy shall be vested in the Board.

E. Indemnification: The Association shall indemnify and hold harmless the individual lot owners from liability on any matters in which such liability would appropriately be borne by the Association. In the event that liability for any matter or act arising out of the ownership of the property subject to these By-Laws or the common properties appurtenant to, other than intentional or malicious acts which are so adjudicated, shall be adjudicated by a final decree against one or more owners and in the further event that the liability for such act or event exceeds the policy limits of coverage for such events or liability, the owners of all of the lots in the subdivision shall indemnify and hold harmless the parties adjudicated to be liable in proportion to the interests held by each of them to the total lots in the subdivision, and such indemnity shall extend to and include the damages, cost of defense including attorney fees, judgment award and all similar costs. Such indemnity shall take the form of an assessment or assessments and shall constitute a lien in the same manner as other common expenses of the Association. The provisions of this paragraph are not to be construed to imply that any individual

owner is liable directly for the acts or responsibilities of the Association or to otherwise change the liability of any party as it would stand but for the provisions hereof, except as stated herein.

F. Individual Coverage: Nothing provided in this Article VI shall prejudice the right of any owner to obtain insurance against any liability of that owner to others.

Section 2 – Application for Insurance: Each owner shall furnish such information and sign such application forms or other documents, if any, as may be required to obtain insurance as provided in this Article VIII.

ARTICLE IX Enforcement

Section 1 – Remedies: The remedies enumerated in this Section 1, without limiting the same or constituting an election of remedies, are available for defaults or failures to comply with any of the terms, conditions, obligations, or provisions of the Declarations, these By-Laws, the Articles of Incorporation, or rules or regulations adopted by the Board, as the same may be amended from time to time, by any person or entity described in Article I, Section 4 of these By-Laws:

A. Legal Action: In addition to and not in lieu of any other remedies, the Association or any person or class of persons adversely affected may, but is not required to, institute an action as authorized by any applicable statute, ordinance, or regulation, the Declarations, these By-Laws, or any other applicable provision to recover fines or penalties as determined by the Board, sums due for damages, injunctions, or any combination thereof.

B. Abatement or Other Self-Action To Correct a Violation: In addition to and not in lieu of any other remedies, the Association may, but is not required to, perform on behalf of an Association member any obligation under the Declaration, these By-Laws, the Articles of Incorporation, or rules or regulations adopted by the Board that the member has failed to discharge after reasonable notice. The Association and its employees, agents, and independent contractors may enter upon the lot of any member to perform such obligations on the member's behalf, may advance expenses or other sums necessary to cure the default, and for such expenses or other sums may levy a special assessment against the defaulting member, which shall constitute a lien on the property of the defaulting member.

C. Suspension of Privileges: In addition to and not in lieu of any other remedies, the Association may, but is not required to, suspend the rights and privileges of Association membership for any defaulting member as described in this Section 1, including but not limited to the rights to use and enjoy the common areas and amenities of Schooner Ridge until such time as the default or violation has been corrected.

Section 2 – Procedure: In the event of a default or failure to comply described in Article IX, Section 1, except for non-payment of an assessment which shall be controlled by the

provisions of the Declarations, the Board shall serve upon or mail to the defaulting member, and to each first mortgagee of that member's lot, a written notice specifying the nature of the default or violation, the cure therefor, and the time within which the cure is to be effected. Within the time limit specified in the notice, the defaulting member may cure the default specified or may mail or serve upon the Board a written notice requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting member, and to each such first mortgagee as above provided, a notice specifying the time and place for the requested hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing has concluded and the Board has made its determination and served upon or mailed the same to the defaulting member and each such first mortgagee. The hearing may be continued from time to time as determined by the Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine in writing, at its sole option, to waive the default in whole or in part to the extent it is waivable under the terms of the Declarations, these By-Laws, or applicable law; to extend the time within which the default may be cured; to proceed immediately to levy a fine or penalty; or to exercise any one or more of the remedies available to the Board due to the default. The Board shall serve upon or mail to the defaulting member, and to each such first mortgagee as provided above, a copy of its determination. If the defaulting member does not either cure the default or request a hearing within the time limited specified in the original notice of default given pursuant to this Section 2, or does not cure the default (to the extent not waived by the Board) within the extended time granted by the Board, if any, then the Board shall serve upon or mail to the defaulting member, and to each such first mortgagee as provided above, a written notice of such member's failure to effect a cure. The Board may then proceed to take such action as is authorized to the extent it deems necessary to obtain relief.

Section 3 – Injunctions: The Association or any person or class of persons entitled to seek relief for any default or failure described in Article IX, Section 1 may obtain a temporary restraining order, injunction, or similar relief without first using the procedure established by Article IX, Section 2, if such default or failure has created an emergency or a situation dangerous to persons or property.

Section 4 – Attorney's Fees and Costs: In any matter or proceeding arising because of an alleged default or failure of a member described in Article IX, Section 1, in the event the Association prevails in whole or in part in that matter or proceeding, then the Association shall be entitled to recover the costs of the matter or proceeding as well as reasonable attorney's fees and interest, such interest being the highest rate of interest allowed by law from the date the Association incurs said costs through the date that the Association is paid.

Section 5 – Non-Waiver: The failure of the Association or of any member hereof to enforce any term, provision, right, covenant, rule, regulation, or condition that may be granted by the Declarations, these By-Laws, the Articles of Incorporation, or any rules or regulations as the same may be from time to time amended, shall not constitute a waiver or abrogation of the right of the Association or any member to enforce the term, provision, right, covenant, rule, regulation, or condition in the future, irrespective of the number of violations or breaches thereof that may have occurred.

IN WITNESS WHEREOF, the Declarant has caused these By-Laws to be signed and sealed by its duly authorized officers, as its act and deed, on the date set forth within the acknowledgment thereof.

Schooner Ridge Property Owners Association, Inc.

(Corporate Seal)

By: John K Grube
President

ATTEST:

H. Judson Skinker (PS)
Secretary

STATE OF NORTH CAROLINA
COUNTY OF DARE

I, Nicole F. Etheridge, a Notary Public of Currituck, NC the County and State aforesaid, certify that John K Grube personally came before me this day and acknowledged that he is Secretary of Schooner Ridge Property Owners Association, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by H. Judson Skinker as its Secretary.

Witness my hand and official stamp or seal, this 8 day of October, 2010.

Nicole F. Etheridge
Notary Public

(seal) NICOLE F. ETHERIDGE
NOTARY PUBLIC
CURRITUCK COUNTY, NC

My commission expires: November 7, 2011